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FISCAL IMPACT STATEMENT

LS 7093

BILL NUMBER: SB 397

NOTE PREPARED: Jan 9, 2010

BILL AMENDED:

SUBJECT: Indiana Public Retirement System.

FIRST AUTHOR: Sen. Walker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Indiana Public Retirement System:* This bill (A) establishes the Indiana Public Retirement System (System) to administer and manage the following: (1) the Public Employees' Retirement Fund (PERF); (2) the Teachers' Retirement Fund (TRF); (3) the Judges' Retirement Fund; (4) the Prosecuting Attorneys Retirement Fund; (5) the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Fund; (6) the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (7) the Legislators' Retirement System; (8) the Pension Relief Fund; (9) the Special Death Benefit Fund; and (10) the State Employees' Death Benefit Fund.

The bill also:

(B) creates a seven-member board of trustees for the System (Board) consisting of six members appointed by the Governor and the Director of the Budget Agency (or designee) serving as an ex officio voting member;

(C) requires a trustee to complete annually at least 12 hours of trustee education. The bill provides that the board's powers and duties are the combined powers and duties of the PERF and TRF Boards;

(D) provides that each retirement fund continues as a separate fund managed by the Board;

(E) provides for a director of the System who is appointed by and serves at the pleasure of the Board. It requires the director to employ managers for PERF and TRF;

(F) allows the director to employ managers for one or more of the other public retirement funds of the system;

(G) makes conforming and technical corrections; and
(H) repeals provisions that establish the PERF and TRF boards.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Indiana Public Retirement System:* The total impact of this proposal on the PERF and TRF pension funds will depend on complete implementation and the extent to which economies are achieved, both in lowering administrative and investment costs, along with generating higher investment returns. A consulting firm retained by PERF and TRF estimated a one-time administrative cost savings of \$8.9 M and recurring annual savings of \$1.4 M with combining the administration of the funds. PERF and TRF have also estimated an additional annual savings of \$100,000 for lower employer administrative costs.

The bill also eliminates one Executive Director position and reduces the number of overall trustees.

Background Information:

FY 2009 Expenses	PERF	TRF
Administrative	\$26.06 M	\$8.07M
Investment	\$63.77 M	\$31.87 M
Total	\$89.83 M	\$39.94 M

Explanation of State Revenues: *Indiana Public Retirement System:* The pooling of assets also could generate higher investment returns and lower investment costs for the pension funds. PERF and TRF estimate that the pooling of assets could generate an increase of 0.2% in investment return. As of November 30, 2009, PERF net assets amounted to \$14.2 B, and TRF net assets were \$8.1 B. Combined net assets totaled \$22.3 B. The 0.2% increase in investment return is the equivalent to approximately \$44.6 M in incremental annual investment returns.

Explanation of Local Expenditures: The bill may also provide some administrative efficiencies to local employers.

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF.

Local Agencies Affected: Units with members in PERF and school corporations with members in TRF.

Information Sources: Terry Magid, Executive Director of PERF, 317-234-4375; Steve Russo, Executive Director of TRF, 317-232-3864.

Fiscal Analyst: James Sperlik, 317-232-9866.